

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7113**

**BILL NUMBER:** HB 1230

**NOTE PREPARED:** Jan 29, 2004

**BILL AMENDED:** Jan 29, 2004

**SUBJECT:** Financial Institutions Matters.

**FIRST AUTHOR:** Rep. Bardon

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) The bill updates references in financial institutions law to conform with federal law. The bill permits a state-chartered financial institution to engage in activities related to a product, a service, or an investment that is available to or offered by national banks domiciled in Indiana. The bill increases the limit on the amount of public funds that may be deposited in a credit union to 20%. (Currently, deposits of public funds are limited to 10% of total credit union assets.)

The bill increases the minimum amount of the bond required for a money transmitter from \$100,000 to \$200,000 and the maximum amount from \$200,000 to \$300,000. The bill increases the insurance coverage required for a money transmitter for criminal or dishonest acts from 50% to 100% of the amount of the money transmitter's security bond or deposit. The bill provides that state law applies to a state-chartered bank, trust company, savings association, savings bank, credit union, corporate fiduciary, or industrial loan and investment company to the same extent it applies to a federally chartered institution of the same type.

The bill establishes administrative procedures governing requests for an exemption from state law due to the preemption of state law as it is applied to federally chartered institutions. The bill authorizes the Director of the Department of Financial Institutions to appoint a person to fill a vacancy on the board of directors of a financial institution under certain circumstances.

**Effective Date:** January 1, 2004 (retroactive); July 1, 2004.

**Explanation of State Expenditures:** (Revised) *Preemption of State Law:* Under the bill, the Department of Financial Institutions could experience additional administrative time to analyze and conduct hearings regarding state-chartered entities (as listed above) that seek exemption from a provision of IC 24, IC 26, IC 28, IC 29, or IC 30 due to preemption of federal law. The Department's current resources should be sufficient

to carry out this provision.

*Non-member State Government Credit Union Deposits:* The bill would increase the percentage of public funds received from state government that a credit union may have on deposit from 10% of the credit union's assets to 20% of the credit union's assets (less the public amount received.)

**Explanation of State Revenues:** *Summary:* Under the bill, money transmitters would be required to post a security device of a minimum amount of \$200,000 and a maximum amount of \$300,000. Additionally, insurance policies of money transmitters for criminal or dishonest acts would equal 100% of the required security device, a minimum of \$200,000. (Under current law, insurance policy amounts must equal 50% of the required security device.) Money transmitters, under current law, must present a security device with an application for a license with the Department.

*Background:* In FY 2003, \$14,038 was collected in money transmitter license fees. Money transmitter license fees are deposited into the Financial Institutions Fund. The current license fee is \$200 plus an additional \$5 per agent not to exceed \$1,000. As of January 10, 2004, there were 28 money transmitters licensed to conduct business in Indiana.

**Explanation of Local Expenditures:** (Revised) *Preemption of State Law:* The bill would allow a state-chartered financial institution to appeal decisions made by the Department regarding exemption from Indiana Code provisions that are preempted for federally chartered financial institutions. Appeals would be conducted in the circuit court of the county where the principal office of the requesting institution is located.

*Non-member Local Government Credit Union Deposits:* As for state governments listed above, a credit union would be allowed, under the bill, to hold up to 20% of their total assets as funds received from a county or political subdivision (less the public amount deposited.)

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Financial Institutions.

**Local Agencies Affected:** Circuit courts.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations, FY 2003*; Department of Financial Institutions website: [www3.dfi.state.in.us/](http://www3.dfi.state.in.us/).

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